



BEFORE THE ARIZONA CORPORATION COMMISSION

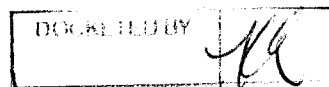
COMMISSIONERS

Arizona Corporation Commission

DOCKETED

AUG 19 2016

DOUG LITTLE – Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN



IN THE MATTER OF THE APPLICATION OF  
KACY J. PARKER d/b/a JAKE'S CORNER WATER  
SYSTEMS FOR APPROVAL OF THE SALE OF ITS  
ASSETS AND APPROVAL OF A CERTIFICATE  
OF CONVENIENCE AND NECESSITY TO  
MANAGEMENT SYSTEMS, LLC.

DOCKET NOS. W-04249A-15-0260  
W-20935A-15-0260

DECISION NO. 75710

OPINION AND ORDER

DATE OF HEARING: January 22, 2016  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey<sup>1</sup>  
APPEARANCES: Mr. Michael Armstead, on behalf of Management  
Systems, LLC; and  
Mr. Robert Geake, Staff Attorney, Legal Division, on  
behalf of the Utilities Division of the Arizona  
Corporation Commission.

BY THE COMMISSION:

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the  
Commission finds, concludes, and orders that:

FINDINGS OF FACT

Procedural History

1. On July 10, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Jake's Corner")  
filed with the Arizona Corporation Commission ("Commission") an application for approval of the  
sale of its assets and the transfer of its Certificate of Convenience and Necessity ("CC&N") to

<sup>1</sup> Administrative Law Judge ("ALJ") Kinsey presided over the January 22, 2016, hearing. The Recommended Opinion and  
Order was prepared by ALJ Brian D. Schneider.

1 Management Systems, LLC ("Management Systems")<sup>2</sup>.

2 2. On August 10, 2015, the Commission's Utilities Division ("Staff") filed an  
3 Insufficiency Letter indicating that the application did not meet the sufficiency requirements outlined  
4 in Arizona Administrative Code ("A.A.C.") R14-2-402.

5 3. On September 28, 2015, Jake's Corner filed additional information in support of its  
6 application.

7 4. On October 28, 2015, Staff filed a Letter of Sufficiency stating that Jake's Corner's  
8 application had met the sufficiency requirements outlined in A.A.C. R14-2-402.

9 5. On December 1, 2015, by Procedural Order, a hearing was scheduled to commence on  
10 January 22, 2016, and other procedural deadlines were established.

11 6. On December 28, 2015, Staff filed a Staff Report.

12 7. On January 5, 2016, Jake's Corner filed an affidavit stating that notice of the application  
13 had been mailed to its customers on December 24, 2015.

14 8. On January 22, 2016, a full public hearing was convened before a duly authorized  
15 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Michael Armstead  
16 appeared on behalf of Jake's Corner, and Staff appeared through counsel. No members of the public  
17 were present to provide comments on the application. During the hearing, discussions were held  
18 regarding whether the Jake Corner's public notice of the application had complied with the Procedural  
19 Order issued on December 1, 2015. Jake's Corner was instructed to late-file certification that it had  
20 published notice of the application in accordance with the December 1, 2015, Procedural Order.

21 9. On January 27, 2016, Jake's Corner late-filed a Certification of Publication  
22 demonstrating that notice of the application had been published in the *Payson Roundup* on January 5,  
23 2016.

24 10. Also on January 27, 2016, Staff filed a Notice of Filing Amended Staff Report and  
25 Engineering Report.

26 11. On March 4, 2016, by Procedural Order, Jake's Corner was directed to provide public  
27

28 <sup>2</sup> On April 7, 2011, in Decision No. 72239, Docket No. C-00000A-10-0393, the CC&N for Jake's Corner was revoked for failing to file its 2008 Annual Report. As such, there is no existing CC&N to transfer.

1 notice of the application in this matter to correct deficiencies in the original notice.

2 12. On March 23, 2016, Jake's Corner filed an affidavit stating that the Notice of the  
3 application had been mailed to its customers on March 12, 2016, and published in the *Payson Roundup*  
4 on March 18, 2016.

5 **Application**

6 13. Management Systems is an Arizona public service cooperation owned and operated by  
7 Mr. Michael Armstead.<sup>3</sup> Mr. Armstead has had 9 years of technical and operational experience with  
8 water and wastewater utilities.<sup>4</sup> Management Systems is in good standing with the Commission.<sup>5</sup>

9 14. Jake's Corner is a sole proprietorship authorized to provide water services to certain  
10 portions of Gila County, Arizona, pursuant to authority granted by the Commission in Decision No.  
11 50872 (April 22, 1980).<sup>6</sup> Jake's Corner is currently providing water utility service to approximately  
12 20 customers, covering approximately 160 acres, in an area located approximately 18 miles south of  
13 Payson in Gila County, Arizona.<sup>7</sup> Jake's Corner's current rates and charges for water utility service  
14 were authorized by the Commission in Decision Nos. 75451 (February 11, 2016) and 75520 (April 22,  
15 2016).<sup>8</sup>

16 15. On April 7, 2011, in Decision No. 72239, Docket No. C-00000A-10-0393, the CC&N  
17 for Jake's Corner was revoked for failing to file its 2008 Annual Report.

18 16. The existing water system includes one well with an estimated pump yield of 22-28  
19 gallons per minute ("GPM"), one 30 gallon bladder tank, one 5,000 gallon pressure tank, and a  
20 distribution system.<sup>9</sup>

21 17. The actual well production is unknown and the system's capacity cannot be determined  
22 because there is no well meter.<sup>10</sup> Based on Jake's Corner's water use data, Staff estimates that the well  
23

24 <sup>3</sup> Tr. at 11.

<sup>4</sup> Exh. S-1.

25 <sup>5</sup> *Id.*

<sup>6</sup> *Id.*

26 <sup>7</sup> *Id.*

<sup>8</sup> Jake's Corner was authorized to charge a monthly emergency interim surcharge of \$16.23. Decision No. 75451 contained a typographical error in the authorized monthly emergency interim surcharge which was corrected *Nunc Pro Tunc* by Decision No. 75520.

27 <sup>9</sup> Exh. S-1.

28 <sup>10</sup> *Id.*

1 capacity of 22 GPM could adequately service the present customer base and a reasonable level of  
2 growth.<sup>11</sup>

3 18. The existing water system lacks adequate storage capacity to serve the existing customer  
4 base.<sup>12</sup> Based on Jake's Corner's 2014 water use data and the capacity analyses, Staff states a minimum  
5 of 5,000 gallons of storage is required to meet seasonal peak demand.<sup>13</sup>

6 19. According to a July 22, 2015, compliance status report by the Arizona Department of  
7 Environmental Quality ("ADEQ"), Jake's Corner has unresolved ongoing arsenic exceedances,  
8 monitoring and reporting deficiencies.<sup>14</sup> Due to these deficiencies, ADEQ cannot determine if Jake's  
9 Corner is currently delivering water that meets water quality standards required by 40 C.F.R. 14  
10 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4.<sup>15</sup> Mr. Armstead has  
11 been meeting with ADEQ to become compliant with its requirements.<sup>16</sup>

12 20. Jake's Corner is not located in an Arizona Department of Water Resources ("ADWR")  
13 Active Management Area.<sup>17</sup> According to a July 23, 2015, ADWR compliance status report, ADWR  
14 has determined that Jake's Corner is not in compliance with ADWR requirements as it failed to file its  
15 annual reports and System Water Plan.<sup>18</sup>

16 21. Staff's Compliance Section database shows no outstanding compliance issues for Jake's  
17 Corner with the Commission.<sup>19</sup>

18 22. According to the application, Jake's Corner has no customer deposit refund obligations  
19 or main line extension agreements, and no other utility will be affected by the proposed transaction.<sup>20</sup>

20 23. Staff reported that Jake's Corner is not aware of any judgments/liens against any of the  
21 entities involved in this transfer of water utility assets.<sup>21</sup> Mr. Armstead testified that \$1,500 is owed to  
22 the Arizona Department of Revenue ("ADOR") for delinquent property taxes and that he is going to

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23 <sup>11</sup> *Id.*

24 <sup>12</sup> *Id.*

<sup>13</sup> *Id.*

25 <sup>14</sup> *Id.*

<sup>15</sup> *Id.*

26 <sup>16</sup> Exh. S-1; Tr. 18-19, 29.

<sup>17</sup> Exh. S-1.

27 <sup>18</sup> *Id.*

<sup>19</sup> *Id.*

28 <sup>20</sup> Exh. A-1; Exh. S-1.

<sup>21</sup> Exh. S-1.

1 work with ADOR to pay off those taxes.<sup>22</sup> The delinquent property taxes have not been reduced to a  
 2 judgment or a lien.<sup>23</sup>

3 24. On July 1, 2015, Jake's Corner and Management Systems entered into an agreement  
 4 through a Bill of Sale of Personal Property under which Management Systems will acquire Jake's  
 5 Corner's water utility assets.<sup>24</sup> The purchase price of the assets is \$1.00.<sup>25</sup>

6 25. Staff reviewed the application and concluded that Management Systems has the  
 7 financial, technical, and managerial ability to operate a public utility water system.<sup>26</sup> According to  
 8 Staff, approval of the proposed sale would serve the public interest.<sup>27</sup>

9 **Staff's Recommendations**

10 26. Staff recommends approval of the application, subject to the following conditions:

- 11 a. To require Management Systems to charge the existing rates and  
 12 charges under Jake's Corner's tariff until new rates are authorized by  
 13 the Commission;
- 14 b. To require Management Systems to file with Docket Control, as a  
 15 compliance item in this docket by December 31, 2016, documentation  
 16 from ADEQ indicating that there are no compliance deficiencies, and  
 17 that Management Systems' water system is delivering water that meets  
 18 the water quality standards required by 40 C.F.R. 14 (National Primary  
 19 Drinking Water Regulations) and A.A.C., Title 18, Chapter 4. In the  
 20 alternative, Management Systems may file a signed consent agreement  
 21 with ADEQ demonstrating a plan to reach compliance;
- 22 c. To require Management Systems to file with Docket Control, as a  
 23 compliance item in this docket by December 31, 2016, documentation  
 24 from ADWR indicating that the water system is compliant with

25  
 26 <sup>22</sup> Tr. at 15-16.

27 <sup>23</sup> Exh. S-1.

28 <sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

departmental requirements governing water providers and/or community water systems;

d. To require Management Systems to coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (Management Systems shall collect the data needed in a format necessary to accurately complete the water use data sheets contained in the Annual Report form);

e. To require Management Systems to file with Docket Control within thirty days of the effective date of this Decision, as a compliance item in this docket, an affidavit affirming that Management Systems obtained and provided to Staff a copy of a Management Systems evaluation report (dated December 2015) prepared by KUV Consultants, LLC; and

f. To require Management Systems to file with Docket Control, as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for a new storage tank with a minimum capacity of 5,000 gallons.<sup>28</sup>

27. Mr. Armstead testified that he is in agreement with Staff's recommended conditions.<sup>29</sup>

28. We find it is in the public interest to approve the application, as recommended by Staff and as modified to reflect a new CC&N is being granted for the service area set forth in Attachment A (The legal description is included in Decision No. 36836 (Sept.7, 1966).) to Managements Systems, LLC, rather than a transfer of the CC&N from Jake's Corner.

### **CONCLUSIONS OF LAW**

1. Kacy J. Parker dba Jake's Corner Water Systems and Management Systems, LLC are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-282, and 40-285.

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<sup>28</sup> *Id.*

<sup>29</sup> Tr. at 20-21.

2. The Commission has jurisdiction over Kacy J. Parker dba Jake's Corner Water Systems and Management Systems, LLC and the subject matter of the application.

3. Notice of this matter was provided in accordance with the law.

4. There is a continuing need for the provision of water utility service currently served by Kacy J. Parker dba Jake's Corner Water System.

5. Management Systems, LLC is a fit and proper entity to receive the assets of Kacy J. Parker dba Jake's Corner Water Systems.

6. It is in the public interest to grant a new CC&N for the service area set forth in Attachment A to Management Systems, LLC.

**ORDER**

IT IS THEREFORE ORDERED that the application of Management Systems, LLC for approval of the purchase of assets from Kacy J. Parker dba Jake's Corner Water Systems is hereby approved, as discussed herein.

IT IS FURTHER ORDERED that a new Certificate of Convenience and Necessity is hereby granted to Management Systems, LLC to provide water service for the area set forth in Attachment A hereto.

IT IS FURTHER ORDERED that Management Systems LLC shall continue to charge water customers in the certificated service area of Kacy J. Parker dba Jake's Corner Water Systems the existing rates and charges until further order of the Commission.

IT IS FURTHER ORDERED that Management Systems, LLC shall continue to comply with all Commission decisions and outstanding compliance items previously required by Kacy J. Parker dba Jake's Corner Water Systems.

IT IS FURTHER ORDERED that Management Systems, LLC file with Docket Control, as a compliance item in this docket, by December 31, 2016, documentation from ADEQ indicating that there are no compliance deficiencies, and that Management Systems, LLC is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4. In the alternative, Management Systems, LLC may file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

1 IT IS FURTHER ORDERED that Management Systems, LLC file with Docket Control, as a  
2 compliance item in this docket, by December 31, 2016, documentation from ADWR indicating that the  
3 water system is compliant with departmental requirements governing water providers and/or  
4 community water systems.

5 IT IS FURTHER ORDERED that Management Systems, LLC coordinate the reading of its  
6 well meter and individual customer meters on a monthly basis and report this data in its Commission  
7 Annual Reports going forward (Management Systems, LLC shall collect the data needed in a format  
8 necessary to accurately complete the water use data sheets contained in the Annual Report form).

9 IT IS FURTHER ORDERED that Management Systems, LLC file with Docket Control within  
10 thirty days of the effective date of this Decision, as a compliance item in this docket, an affidavit  
11 affirming that Management Systems, LLC obtained and provided to Staff a copy of a Management  
12 Systems, LLC evaluation report (dated December 2015) prepared by KUV Consultants, LLC.

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IT IS FURTHER ORDERED that Management Systems, LLC file with Docket Control, as a compliance item in this docket, by December 31, 2016, a copy of the ADEQ Approval of Construction for a new storage tank with a minimum capacity of 5,000 gallons.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

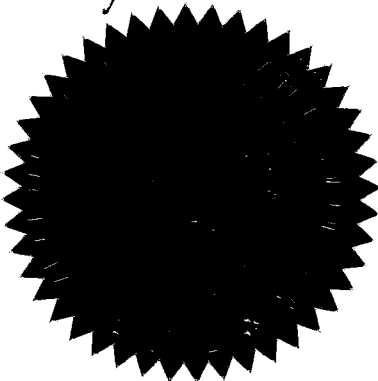
  
CHAIRMAN LITTLE

  
COMMISSIONER STUMP

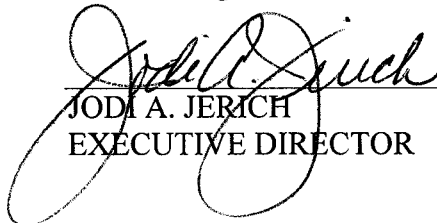
  
COMMISSIONER FORESE

  
COMMISSIONER TOBIN

  
COMMISSIONER BURNS



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19th day of August 2016.

  
JODI A. JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

BDS:rt:aw

SERVICE LIST FOR:

KACY J. PARKER DBA JAKE'S CORNER WATER  
SYSTEMS and MANAGEMENT SYSTEMS, LLC

DOCKET NOS.:

W-04249A-15-0260 and W-20935A-15-0260

Michael Armstead  
MANAGEMENT SYSTEMS, LLC  
211 W. Saddle Lane  
Payson, AZ 85541

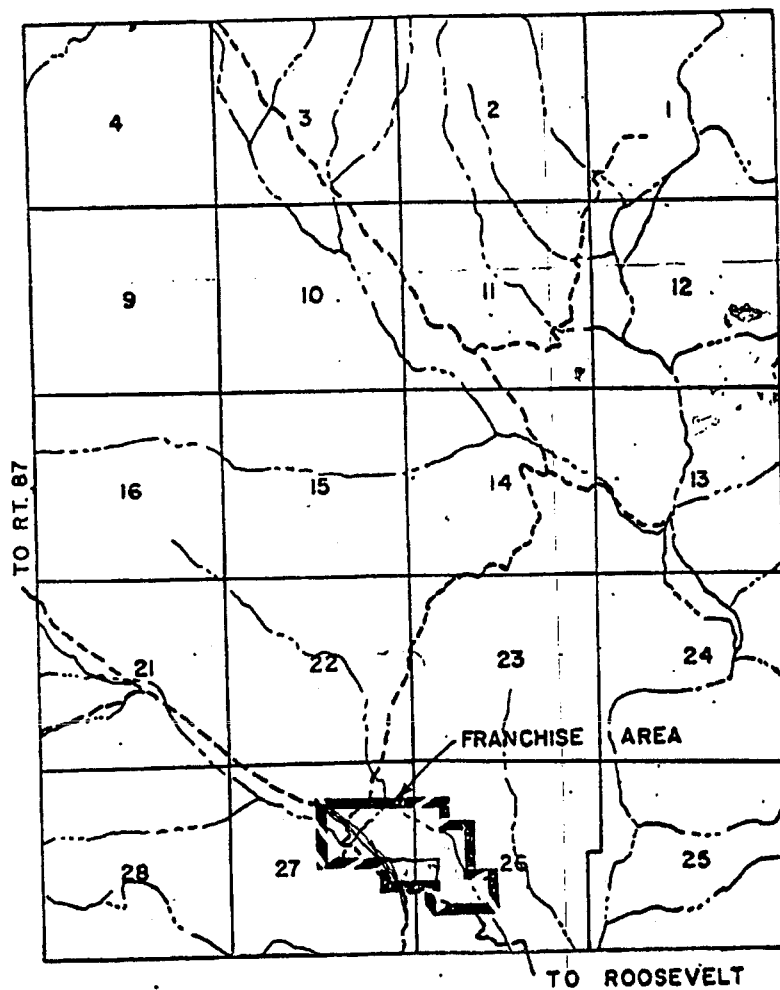
Kacy Parker  
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Thomas Broderick, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
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Phoenix, Arizona 85007

ATTACHMENT A



A Portion of Sections 26 & 27

T8N R10E G&SRB&M  
G  
Gila CO. Arizona.

DECISION NO. 75710

EL *EL*

## BEFORE THE ARIZONA CORPORATION COMMISSION

MILTON J. HUSKY  
Chairman  
E. T. "EDDIE" WILLIAMS, JR.  
Commissioner  
DICK HERBERT  
Commissioner

Arizona Corporation Commission  
DOCKETED  
SEP 7 1966

IN THE MATTER OF THE APPLICATION OF UNITED UTILITIES, A CORP.,  
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR CONSTRUCTION  
AND OPERATION OF A WATER SYSTEM IN THE ADDITIONAL TERRITORY AS  
HEREINAFTER DESCRIBED.

DOCKET NO. U-1993

DECISION NO. 38636OPINION AND ORDER

## BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting at Phoenix, Arizona on May 13th, 1966.

Applicant appeared by Darrell Carpenter, and no appearance was entered in opposition to the granting of the rights applied for.

Evidence was adduced upon the application, and from that evidence the Commission is of the opinion that the Applicant has complied with the laws of the State of Arizona, and the rules, regulations and orders of the Commission, for the issuance of a certificate of public convenience and necessity for the operation of a public water system.

WHEREFORE, IT IS ORDERED that the application be, and it hereby is, approved; and this order shall constitute a certificate of public convenience and necessity within the provisions of Title 40, Section 281, et seq., of the Arizona Revised Statutes, authorizing applicant to construct, operate and maintain, in conformity with the laws of this State, and the rules, regulations and orders of the Commission, as each may now or in the future be, a public water system within the additional area described as:

The SW $\frac{1}{4}$  of the NE $\frac{1}{4}$ ; the W $\frac{1}{2}$  of the SE $\frac{1}{4}$  of the NE $\frac{1}{4}$ ; the E $\frac{1}{2}$  of the SE $\frac{1}{4}$  of the NE $\frac{1}{4}$ ; the NE $\frac{1}{4}$  of the NE $\frac{1}{4}$  of the SE $\frac{1}{4}$  of Section 27, Township 8 North, Range 10 East, and the W $\frac{1}{2}$  of the SW $\frac{1}{4}$  of the NW $\frac{1}{4}$ ; the SE $\frac{1}{4}$  of the SW $\frac{1}{4}$  of the NW $\frac{1}{4}$ ; and the N $\frac{1}{2}$  of the NW $\frac{1}{4}$

DECISION NO. 75710

DOCKET U-1993

DECISION NO. 38636

of the SW $\frac{1}{4}$ ; the SE $\frac{1}{4}$  of the NW $\frac{1}{4}$  of the SW $\frac{1}{4}$ ;  
the SW $\frac{1}{4}$  of the NE $\frac{1}{4}$  of the SW $\frac{1}{4}$  of Section 26,  
Township 8 North, Range 10 East, all G&SR&M.,  
Gila County, Arizona.

IT IS FURTHER ORDERED that the rates and charges  
authorized within the area above described shall be as follows:

As a service or demand charge during each  
monthly billing period and for which no water  
is supplied,

5/8" meter service.....	\$4.00
3/4" " " .....	5.00
1" " " .....	7.00
1 1/2" " " .....	12.00
2" " " .....	18.00

For each 1,000 gallons of water supplied through  
each service connection during each monthly  
billing period.....\$0.75.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, GEORGE S. LIVERMORE,  
Secretary of the Arizona Corporation Commission,  
have hereunto set my hand and caused the official  
seal of this Commission, to be affixed at the  
Capitol in the City of Phoenix, this 7th day  
of September 1956.

*George S. Livermore*  
GEORGE S. LIVERMORE  
SECRETARY

*William H. Hasty*  
CHIEF CLERK

*Richard A. Hasty*  
COMMISSIONER

COMMISSIONER